

California State University

Proposed Mid-year Budget Reductions

BACKGROUND The California State University (CSU) enrolls over 370,000 students, has a State General Fund Budget of \$2.7 billion, and has a total operating budget of \$3.4 billion. The Governor on December 6 proposed a \$59.6 million unallocated funding reduction to the CSU.

SYSTEM PROPOSALS On Monday, December 16 the CSU Board of Trustees will meet to discuss the Governor's proposal. Although a formal plan to deal with the reductions has not yet been presented, the following budget savings and revenue-generating options are likely to be considered by the CSU Trustees:

- Personnel reductions and selective hiring freezes on new staff and faculty
- Suspensions or curtailments on contracts for major purchases
- Delays in replacing expensive equipment and reductions in purchases of supplies
- Increases in systemwide resident student fee levels of 10% and in non-resident student tuition of 15%; one third of the \$30 million in revenues generated by the increases is to be set aside for institutional financial aid for needy students.

COMMISSION VIEW OF THE REDUCTIONS The Commission believes that the State and the CSU should carefully consider the potential impacts of actions to deal with the necessary budget reductions. In the recession of the early 1990s, the CSU reduced staffing and class offerings, increased student fee levels, cut programs, and lowered services to students. CSU enrollment went down by 50,000 students from 1990 through 1994 and the backlog of deferred maintenance grew by tens of millions of dollars each year.

The Commission notes that the potential impact of the CSU's current budget reductions include:

- Reduced enrollments – The \$60 million cut is, for example, the amount it takes to fund the State's share (\$6,594) of the total marginal cost for enrollment at the CSU (\$7,813) for more than 9,000 students. In addition, the CSU currently enrolls 8,000 students above its marginal cost-funded levels.
- Reductions in student services – Funding reductions will force staffing and resource reductions in services that support students, such as financial aid, academic assistance, and other outside-the-classroom services.
- Lessened persistence – The CSU may layoff teaching faculty, which could mean fewer course offerings; this would negatively impact students' time-to-degree and ability to achieve their educational objectives.

As the CSU considers reductions in personnel and services to cope with funding reductions, the Commission encourages the system to place the highest priority on maintaining access to – and facilitating success for – current students and transfer students. With these goals established, the Commission views the system's potential plans as follows:

- Reductions in faculty and staff should be structured so as to impact students as minimally as possible. CSU resource commitments should continue to prioritize the timely progression of students towards a degree, particularly students with historically lower college-going backgrounds and those at important crossroads in their educational programs, such as transfer students and upper-division students.
- Potential actions to suspend contracts, delay major purchases and equipment replacement are consistent with Commission priorities. These decisions should be coordinated at the campus level so as to facilitate efficient operations and provide continued access to students
- The suggested CSU resident student fee increases fall within the framework presented by the Commission for any such increases, should they be necessary. These fee increases should be adopted in concert with system plans to prioritize program offerings and services, and reduce those deemed of lesser value during the budget shortfall and in concert with other actions to increase operating efficiencies and productivity.